GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

UNSTARRED QUESTION NO:3644
ANSWERED ON:17.04.2008
TRADE MARGINS ON DRUGS
Reddy Shri Karunakara G.

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) the details of controlled and control-free drugs and branded and non- branded drugs;

(b) the existing policy on pricing of each category of drugs;

(c) whether any proposal has been received by the Government for imposing trade margins on each category of drugs both for wholesale and retail; and

(d) if so, the details thereof and the reaction of the Government thereon?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF CHEMICALS & FERTILIZERS AND MINISTER OF THE STATE IN THE MINISTRY OF MINES (SHRI B.K. HANDIQUE)

(a) to (d):The 74 bulk drugs specified in the First Schedule of the Drugs (Prices Control) Order, 1995 (DPCO, 95) and the formulations based thereon are under price control and their prices are fixed / revised by the National Pharmaceutical Pricing Authority (NPPA) in accordance with the provisions of the DPCO, 95. Under Para 19 of the DPCO.95, 16% margin to retailer is allowed in respect of Scheduled formulations.

Prices of non-Scheduled formulations are fixed by the manufacturers themselves keeping in view the various factors like cost of production, marketing/selling expenses, R&D expenses, trade commission, market competition, product innovation, product quality etc. The Government takes corrective measures where the public interest is found to be adversely affected.

It has been noticed by the National Pharmaceutical Pricing Authority (NPPA) that some companies provide high trade margins to the wholesalers and retailers in respect of branded-generics and generic-generic medicines of certain non-Scheduled formulations. However, this segment forms a small portion of total pharma market in the country.

The Draft National Pharmaceuticals Policy, 2006 proposes to streamline the system of trade margins by capping the trade margins.

This Policy was submitted before the Cabinet for its approval. The Cabinet considered the Policy in its meeting held on 11-1-2007.It was decided that the matter may,in the first instance, be considered by a Group of Ministers (GOM). GOM has since been constituted and has held three meetings so far on 10-4-2007, 12-9-2007 and 30-1-2008. GOM is yet to make its recommendations to the Cabinet.